Received: 5 May 2020 | Revised: 12 October 2020 | Accepted: 1 December 2020

DOI: 10.1111/padm.12712

SYMPOSIUM ARTICLE

public administration WILEY

The management consultancy effect: Demand inflation and its consequences in the sourcing of external knowledge

Andrew J. Sturdy[1] | Ian Kirkpatrick[2] | Nuria Reguera[3] | Antonio Blanco-Oliver[3] | Gianluca Veronesi[1]

[1]School of Management, University of Bristol, Bristol, UK

[2]School of Management, University of York, York, UK

[3]Department of Accounting and Finance, University of Seville, Seville, Spain

Correspondence
Gianluca Veronesi, School of Management, Howard House, Queen's Avenue, University of Bristol, Bristol BS8 1QU, UK.
Email: gianluca.veronesi@bristol.ac.uk

Abstract

The growing use of external management consultancy services by public sector organizations has generated controversy. Some claim that users have become over-reliant on, or even addicted to, this source of knowledge. However, our understanding of this phenomenon and the precise nature of its risks is underdeveloped. In this article, we address these concerns by focusing on whether using consulting services inflates future demand and on its consequences for efficiency. This is examined in the context of the English National Health Service and the adoption of New Public Management practices such as outsourcing and private finance initiative contracting. Based on an analysis of four years of data, the results suggest that using consulting services is associated with demand inflation and has negative implications for client organizational efficiency. These findings reveal a strong management consultancy effect, emphasizing the risks associated with demand inflation, with implications for both theory and policy.

1 | INTRODUCTION

> Consultants become a habit—once they get inside the building, they are hard to eradicate. They have an interest in keeping the relationship going, either by persuading clients that the challenges are complex, or by selling them more services. (*Financial Times*, 10 May 2017)

Globally, the demand for management and policy consulting expertise from governments, public sector organizations and transnational agencies has grown steadily since the early 1990s (Ylönen and Kuusela 2019). In the UK, a relatively high user nationally, 22 per cent of all management consulting fee income in 2018 originated from the public sector (including health) (FEACO 2018). Total UK income that year was £10.56 billion (MCA 2019). This trend has generated considerable controversy. While some commentators claim that the use of consultants can add value in public services (Jones 2019), for the most part, researchers are either cautious or openly critical, highlighting risks and expressing 'doubts about efficient outcomes' (Armbrüster 2006, p. 8). According to Sorge and van Witteloostuijn (2004), for example, consulting advice is typically associated with unsubstantiated claims and is unlikely to generate tangible improvements.

These critiques stem partly from doubts about the knowledge and capabilities of management consultants (henceforth MCs) to 'produce advice of the desired standard' (Ylönen and Kuusela 2019, p. 248; see also Raudla 2013). However, for many, a potentially greater risk comes from the increasingly embedded and opaque role of MC firms in public sector organizations, creating over-dependency and shaping both policy and practice—a 'consultocracy' or 'invisible civil service' (Hodge and Bowman 2006; van den Berg et al. 2019). It has been suggested that MCs use sophisticated selling techniques to create unnecessary demand—an 'addiction'—for their services from anxious clients (Kipping and Saint-Martin 2005). From this perspective, MCs are essentially seen as 'manipulators who are seeking to influence policy makers to make more money' (Saint-Martin 2012, p. 458). They have fuelled the 'business envy' (Moore 2013) of some politicians and civil servants, to help introduce commodified tools and techniques from the private sector that are unlikely to be effective (Beveridge 2012).

These claims about the risks of demand inflation in MC services are longstanding and, as the above extract from the *Financial Times* in 2017 suggests, persistent. However, the extent to which it occurs and its consequences are poorly understood in the public management literature and elsewhere. For the most part, research on this topic has relied on case studies which offer qualitative and processual analysis rather than shedding light on the extent and longer term implications of MC use (Sturdy et al. 2009). Nor is it clear from existing research what the impact of any inflated demand for MC services might have on client organizations, for example in terms of their performance and the services they provide to their own users such as citizens or patients. An underlying assumption is that demand inflation will be largely negative, although as Fink and Knoblach (2017, p. 588) suggest, much of the critical research 'neither addresses the effectiveness of management consulting nor aims to improve the success of (change) interventions'.

Given the above, our objective in this article is to advance knowledge about the drivers and consequences of MC use in public sector organizations. Specifically, we address two questions. First, are buyer–supplier relationships between client organizations and consultants associated with increasing demand for MC services over time? Second, assuming that such demand inflation occurs, what are its implications for the performance of client organizations? To explore these concerns, we draw on insights from the literature on MCs and the notion of a 'consulting process' to understand theoretically how demand might rise as a consequence of dynamic relationships between MCs and clients (e.g., Ernst and Kieser 2002). As an empirical case, we focus on the recent experience of acute care hospitals in the English National Health Service (NHS). As with other public services (Saint-Martin 2012), the use of management consulting in healthcare has grown exponentially in recent years. In the English NHS, for example, expenditure rose from £313 million in 2010 to £640 million in 2014 (Kirkpatrick et al. 2019).

Drawing on a range of administrative data sources over four years (2009/10–2012/13), we investigate the impact of past use of MC services (proxied by expenditure) on the level of their future use by NHS trusts and on

performance. We also look at the relationship between MC use and the adoption of popular management practices associated with the commercialization of services. The latter include standardized forms of advice on the implementation of outsourcing for non-core clinical services (e.g., cleaning and facilities maintenance) and private finance initiative (PFI) contracting. These services are selected because of their centrality to New Public Management (NPM) reforms and their importance in terms of the work of MC firms and the advice they typically offer (Craig and Brooks 2006).

In what follows, we first review the extant literature on the consulting process to articulate three main hypotheses, before turning to the NHS case and data analysis. The results of this analysis suggest that the use of MC services by public hospitals in England is strongly associated with rising MC demand overall, with the adoption of commercialized management practices and higher levels of client inefficiency—what we term the 'consultancy effect'.

2 | THEORIZING DEMAND FOR CONSULTING SERVICES

With diverse origins in scientific management, organizational development, accounting, strategy and information technology, MC is far from a homogenous phenomenon and definitions are contested (Schein 2009). However, there is some consensus over the core MC roles of providing expertise in the form of advice and/or through facilitating change, and widespread recognition of its contribution in providing legitimation for clients' decisions based on perceived independence and credibility (McKenna 2006; Markham and O'Mahoney 2013). Also clear is the scale, growth and success of MC as a sector, especially in North America and northern Europe, over the past three decades (Kipping 2002; Engwall et al. 2016).

The steady growth of MC services, including specifically in the public sector, has sparked extensive debate about why demand has increased. On the one hand, there are functional (or economically rational) explanations, which emphasize the relative benefits of using external advice to solve client problems (Bessant and Rush 1995) and growth as a response to the decline in middle levels of management (Ruef 2002). For example, the UK National Audit Office (NAO/Audit Commission 2010) claims that MC services can benefit clients through a combination of people (access to specialist skills), process (knowledge on how to approach a task) and perspective (offering an independent, expert or innovative view).

A more sophisticated version of this argument draws on ideas from Transaction Cost Economics. Here a central question is 'why managers hire outside experts instead of doing the same work internally' (Saam 2012, p. 215). According to Canback (1999), the decision is based on two main considerations: the degree of human asset specificity of a given activity or service and internal (bureaucratic) coordination costs associated with implementing change projects. While the former suggests that MC services are most efficient when less asset specific, the latter emphasizes the possible economies of scale (and scope) that might be associated with using MC firms to implement relatively standardized forms of knowledge (Armbrüster 2006). An example of this would be the large-scale implementation of enterprise resource planning systems or, in the NHS case below, advice on the adoption of standardized management practices such as estates outsourcing and development of PFI contracts.

These rational economic explanations of MC growth offer a useful starting point, not least in highlighting how the likely effectiveness of consulting use is context specific. However, they suffer from a number of limitations. The image conjured up is of well-informed, calculating clients weighing up 'the scale advantages of outside vendors against the contractual efficiency of internal administration' (McKenna 2006, p. 13). However, this ignores the ambiguous, 'credence good' nature of many management consulting services (Saam 2012). Unlike other kinds of exchange goods, where clients can specify quality in advance or make their own assessments through trial and error (experience), consulting services are often hard to evaluate even after being consumed—what is called product uncertainty (Sturdy et al. 2013). Indeed, there is little evidence that clients systematically assess outcomes (Saam 2012; O'Mahoney et al. 2013). In addition, although the risk of opportunism is

recognized, accounts grounded in economic rationality tend to simplify the agency of key actors, both on the purchaser and the provider sides, who may have other interests, including expanding or perpetuating demand for their own ends.

This more agentic perspective on the generation of demand is central in much of the critical literature on MCs. Specifically, it relates to what Sturdy (2018) terms a 'consulting process' whereby clients and MC firms, interacting together, can drive up demand for MC services over time. When seeking to understand this process, many accounts have emphasized the opportunism of MCs under commercial and/or career pressures. It is noted, for example, how they might exploit their position as trusted or socially embedded providers of largely ambiguous or untestable knowledge to sell and, once contracted, 'sell on' additional services, irrespective of the needs of clients (Bloomfield and Danieli 1995). According to Fincham (1999, p. 336), the larger firms, in particular, are depicted as the 'great persuaders', exercising an 'insidious power'. This occurs individually through diverse promotional practices such as 'thought leadership' or what Saint-Martin (2013) refers to as 'think-tankization', but also collectively to help secure the position of the consultancy as a preferred source of expertise compared to others. Research has also identified a host of relationship-building activities (Karantinou and Hogg 2001; Taminiau et al. 2016), including through 'revolving door' appointments between MC firms and public sector organizations, such as the UK NHS, with movement of key personnel at senior levels (Leys and Player 2011; O'Mahoney and Sturdy 2016).

This social embeddedness view (Armbrüster 2006) is complemented by a psychodynamic perspective whereby consultants' promotional practices both appeal to, and paradoxically feed, the anxieties and uncertainties of purchasers. In short, they construct and exaggerate 'problems' and promise 'solutions' which can never be (fully) realized (Jackall 1988). In this way, a cycle of over-demand is created by offering to reduce uncertainty and yet reinforcing it. Indeed, scholars have observed a cultural dimension to this in terms of 'uncertainty avoidance' such that, while consultants may offer the reduction of client uncertainty, they ultimately add to it (*ISMO* 2013; Pemer et al. 2018).

However, clients are by no means passive actors in this process of fuelling and perpetuating demand (Sturdy 1997). Indeed, in some cases, it is more appropriate to describe MCs as 'servants of power' or 'foot soldiers' (Hodge and Bowman 2006) who supply advice to address diverse client needs, including, but also beyond, those of the organization or the prospect of resolving existential anxieties. For example, clients may deliberately commission services from leading consulting firms to secure organizational legitimacy or signal their own individual or functional status or competency (Bergh and Gibbons 2011).

Drawing on these insights from diverse theoretical perspectives, critical scholars have developed models of MC growth, which focus on the dynamic interaction between the needs and strategies of individual clients and those of MC firms (Sturdy 1997; Ruef 2002). Especially useful here is the framework proposed by Ernst and Kieser (2002) which notes how a combination of external pressures (on clients) and the practices of MC firms can fuel dependency on MC services, or even 'addiction', over time. A starting point is the perceived need of client managers to establish and maintain a sense of control in complex and uncertain environments. In this context, MC firms, as 'supra-experts' propagating fads and fashions, offer the prospect of quick ('off-the-peg') solutions. This may be reinforced by the demand-creating skills of MCs that are highlighted by the psychodynamic perspective (see above). However, crucially, the extent to which these MC solutions work to remove uncertainty is, at best, necessarily temporary (Sturdy 1997). As Ernst and Kieser (2002, p. 70) suggest: 'the perception of an enhancement of control does not last. As soon as the consultants are gone, questions come up that are bound to trigger insecurity.' As noted earlier, this occurs partly because MC services are often intangible, co-produced, open-ended and therefore hard to evaluate (*ISMO* 2013). Continuing uncertainty is also due to wider mimetic processes, which make clients aware of innovations or 'best practices' adopted by their competitors or peers. Either way, because the 'relief' MCs are able to offer clients is only temporary, and that this is not visible, demand for their services can 'quickly turn into a vicious circle of addiction' (Ernst and Kieser 2002, p.73).

Therefore, implied by Ernst and Kieser's (2002) model is that feedback loops between using MC services and the perceived need to keep on using them in an ultimately futile quest for control mean that—unless the cycle is

broken—client demand for consultancy will continue to rise (Sturdy 1997). As such, from a critical perspective, the demand for MC services cannot be understood simply as an economically rational decision on the part of individual clients acting on behalf of their organizations. The information needed to make such decisions is rarely, if ever, available or sought. Rather, demand is likely to arise from a more dynamic, political and psychodynamic process of interaction between clients and MCs, which, over time, leads to increasing dependency on, or preference for, MC services and increasing levels of use.

3 | HYPOTHESES DEVELOPMENT

The insights discussed so far have implications both for how we understand demand for MC services and—more tentatively—their impact. Concerning the former, we have seen how the literature predicts that, over time, the interaction between MCs and clients will fuel or inflate demand (Sturdy 1997; Ernst and Kieser 2002). On the one hand, this demand may be in the form of repeat business from existing clients. Studies reveal that this can make up a significant proportion of consultants' work, varying between 50 and 70 per cent of firms' projects (see Karantinou and Hogg 2001; Glückler 2007). Even when procurement regulations stipulate more open competition, repeat business often occurs informally (Pemer and Skjølsvik 2017; Ylönen and Kuusela 2019). However, while demand inflation is often associated with the same MC firms, this is not always the case. The vicious circle of growing use described earlier may generate habits of using MC services, both from existing firms and newcomers (Ernst and Kieser 2002; Kipping and Saint-Martin 2005). The latter is especially likely in situations, such as the public sector, where using consultants (and the ideas they purvey) has become normalized or even fashionable, signalling quality or competence, and offering fast solutions (Weiss 2019). Hence, whether consulting use is repeat business or habit, the implication is that the process of using MC services is one that may become increasingly addictive for clients and self-perpetuating over time. Therefore, as our initial hypothesis we predict that:

> *H1*: High levels of management consulting use will be associated with greater future use of these services.

A logical extension of this hypothesis is that growing client usage of MC services will also translate into an increase in the adoption of the specific policies and practices that are typically associated with consulting advice. As noted earlier, in public services, this could include the adoption of sometimes quite standardized tools and techniques associated with NPM, such as commercialization practices (Hood and Dixon 2015). An example of the latter is the leading role played by MC firms in supporting and promoting PFI and outsourcing in general (Craig and Brooks 2006; Leys and Player 2011). Therefore, while ideas promoted or prescribed through consulting use may not always be fully implemented, one might further predict that:

> *H2*: High levels of management consulting use by clients will lead to the increasing adoption of commercialization practices.

Lastly, the rising use of consulting services has potential implications for client performance. For the most part, the literature has not directly addressed this concern (Fink and Knoblach 2017). On the one hand, functionalist or economic arguments (such as Transaction Cost Economics) assume that under specific conditions, the use of MCs should be more cost effective than relying on in-house services (Canback 1999). Here, a virtuous cycle is possible of increased consultancy demand derived from improved performance. In particular, this should be especially likely in cases where advice is standardized; for example, the adoption of commercialization practices. However, implied by the critical literature is that, as the demand for MC services becomes inflated, with growing use over time (see H1 and H2) the impact on client performance will be progressively negative (Armbrüster 2006; Sturdy 2018). This might

be especially true where efficiency outcomes are concerned (Kirkpatrick et al. 2019). Indeed, client efficiency could deteriorate for three reasons. First, as clients use more MC services as a result of demand inflation, this will involve rising transaction costs associated with extra contract negotiation, drafting and enforcement. Second, in situations where rising demand is associated with repeat business with 'preferred' suppliers (see also above), one might expect hidden costs arising from what Uzzi (1997, pp. 58–59) terms over-embeddedness, where 'the social aspects of exchange supersede the economic imperatives'. This may further undermine efficiency by facilitating greater client tolerance for sub-optimal performance and lower levels of innovation from existing suppliers (also Villena et al. 2011). Finally, and as intimated earlier, it is possible that a tendency to inflate demand generally will have negative implications for allocative efficiency at the organizational level, undermining in-house management capabilities and diverting resources from other important projects, services or consumers (Sturdy et al. 2015). Hence, our final hypothesis is as follows:

> *H3*: High levels of management consulting use (which inflate demand, including for commercialization practices) will have negative implications for the efficiency of client organizations.

4 | RESEARCH DESIGN

To test the hypotheses, this study focused on the use of MC advice in one area of the UK public sector: the National Health Service (NHS). As a mature and large consulting market, both in general and the public sector specifically (Howlett and Migone 2013; Sturdy and O'Mahoney 2018), the UK seems to illustrate many of the tendencies of demand inflation outlined so far. The NHS, in particular, has become an established user of diverse MC firms, including the largest ones, both centrally and by individual hospitals (Weiss 2019).

In this study, our specific focus is on hospital trusts in the English NHS and the adoption of management tools such as commercialization practices. The latter include the outsourcing of services (such as catering and estate management functions) and PFI contracts. In the NHS, outsourcing has been ongoing since the 1990s and PFI contracts became the preferred form of procurement for large projects in the 2000s (Pollock et al. 2011; Pollock and Price 2013). Management consultants have been deeply involved in supporting the implementation of these policies, for example, advising on PFI financing arrangements (Kirkpatrick et al. 2016). However, while this has been viewed as highly controversial by some (Craig and Brooks 2006; Beveridge 2012), the standardized nature of these activities means that, in theory at least, it should be no less efficient for public sector organizations to use external consultants to provide advice than to rely on internal sources.

4.1 | Data sources

Data were collected from a number of publicly available sources. The first included each hospital trust's financial statements, found in their annual report and accounts. The other data employed in the study were accessed through the NHS Digital data repository, including: the Hospital Episode Statistics database (offering information on the activity of hospital trusts, e.g., the total number of patient admissions); the NHS Bed Availability and Occupancy Data (collecting data on bed numbers and their overall usage); and the Hospital Estates and Facilities Statistics (providing information on outsourcing of non-clinical services, the number of sites and the size of each trust). The NHS Reference Costs dataset, containing indicators of efficiency and market-related costs of running services, was also accessed. To ensure comparability of cases, the study focused only on hospital trusts (known as Foundation Trusts and ordinary trusts) operating in the acute care sector in the English NHS. Each hospital trust has a unique NHS identifier that allows the tracking and matching of relevant information across databases.

4.2 | Sample

The main independent variable (expenditure on consultancy services) was only available at the time of data collection for all hospital trusts from the period 2009/10 to 2012/13. The study employed an unbalanced panel representing roughly three-quarters of the entire acute care trust population in England with these four years of data. The total sample size ranged from 128 acute care hospital trusts in 2009/10 to 120 in 2012/13 for a total number of 495 observations. The reduced size was mainly due to organizational mergers rather than missing observations.

4.3 | Operationalization of key variables

To test the main hypotheses, proxies were developed for three key variables: the overall use of management consultants by NHS trusts; their adoption of commercialization practices (outsourcing and PFI); and (client) organizational efficiency. The first variable, proxying the use of consulting advice (Consulting services), was derived from the total amount spent for the hiring of consultants as indicated in the hospital trusts' financial statements. Following the *NHS Manual for Accounts*, consulting expenditure includes any 'objective advice and assistance relating to strategy, structure, management or operations of an organization in pursuit of its purposes and objectives' (DoH 2013, Annex 5). This includes providing advice on management of services, process management and rationalization of services (including procurement) and strategic consulting for financial matters (such as PFI contracts). While total expenditure is a crude indicator of consulting use, it is readily available and standardized across the whole population of NHS trusts.

Second, proxies were developed for the two examples of commercialization practices mentioned earlier: general outsourcing of (non-core) services and on the use of and design of PFI contracts. To assess the former, the study looked at the percentage of non-clinical services that had been outsourced to a third-party contractor in each trust (Contracted-out services). This comprises the maintenance of the estates and other facilities-related activities such as cleaning delivered by an external contractor. Turning to the second indicator, two variables in relation to PFI were developed. The first (PFI use) captures the overall use of these contracts and consists of the capital and interest payments on outstanding liabilities from PFI initiatives. Given that PFI contracts need to be centrally approved by the Department of Health, it was not anticipated that consulting advice would have an impact on overall use. However, a second variable related to the financing of PFI contracts which can be influenced by management consultants who advise on different options such as the structure of the interest to be paid on contracts. Here, the study looked at how far the interest payments were structured as a variable cost (PFI design), a widely used practice in the commercial sector (Pollock and Price 2013; Kirkpatrick et al. 2016).

Finally, to address H3, a proxy for operational efficiency (Operational efficiency) of the hospital trust drawn from the Reference Cost Index (RCI) was used. This represents an indicator of (both production and allocative) efficiency of each trust in comparison to the mean level of efficiency for the sector as a whole (Marini et al. 2008). To corroborate the analysis, an alternative measure of organizational efficiency was used (henceforth Adjusted cost efficiency), based on the total hospital trust expenditure as reported in the financial statements divided by the size of the hospital (in terms of bed numbers). This proxy assumes that trusts that are more efficient will be better able to contain their scaled expenditure. For both proxies, higher outcome values mean higher costs and, hence, lower levels of organizational efficiency. Similar results were obtained when employing the total workforce as proxy for size.

The first variable—expenditure on consultants—was used to explore the issue of use of consulting advice and demand inflation (H1), looking specifically at whether past consulting use (expenditure in previous years) had any impact on future levels of demand (or expenditure). While overall expenditure levels do not show precisely which management consulting firms are engaged with each trust (year on year), given other research (Karantinou and Hogg 2001; Glückler 2007; Howlett and Migone 2013), any tendency for inflating demand is highly likely to be a reliable indicator of a pattern of small numbers bargaining and repeat business. Turning to H2, past expenditure levels on consulting advice were used as explanatory variable to explore how far consultants inflated future demand in

relation to commercialization practices. Lastly, all three main variables were used to test H3 on the performance implications of management consulting advice. All estimations were run with normalized values (through rescaling) of the main independent variables.

4.4 | Controls

A number of control variables were included in the study to account for possible influences on the three hypothesized relationships. We included differences in organizational type and status: teaching status, whether hospitals had converted to the more autonomous Foundation Trust (FT) organizational type (FT status), size (in terms of beds availability), activity levels, organizational slack and structural complexity (single or multiple sites). Additional controls focused on the geographical location: population size, a dummy variable for a possible 'London effect', a Herfindahl Index to assess levels of competition and the NHS Market forces factor (which estimates the unavoidable cost differences deriving from geographical location). To ensure consistency across estimations, the proxies for the adoption of commercialization practices were always included when not already used as either dependent or independent variables.

5 | METHODOLOGY

The analysis used a longitudinal panel data approach with hospital trust-year cases, which increases the number of observations and the degree of freedom improving the efficiency of the parameter estimates (Veronesi et al. 2015). Specifically, Panel Corrected Standard Errors (PCSEs) estimations were employed to handle possible contemporaneous correlation of the errors (i.e., being correlated across trusts within the same time period) and heteroscedasticity (i.e., having unequal variances across different subsets of hospitals) (Beck and Katz 1996). The Prais–Winsten Generalized Least Square (GLS) method was applied to account for possible serial correlations (Beck and Katz 1996). Moreover, to account for possible path dependency in organizational efficiency (e.g., low levels of efficiency are explained by previous low levels of efficiency), PCSEs estimations with lagged dependent variables as controls were also obtained.

Given the characteristics of the two PFI-related dependent variables (PFI use and design), a standard random effect Tobit regression model on panel data was employed to make it possible to estimate the truncated mean—that is, the mean of the positive observations. Indeed, not all trusts in the sample had used PFI contracts in the first place or were paying variable finance costs on the contracts (79 organizations out of the 479 full sample of hospital trusts). The Tobit approach represents a special case of a censored regression model, needed when the latent dependent variables cannot always be observed. By contrast, a random effect panel data estimation model was used for the regression analysis with Contracted-out services as dependent variable as it allows for the presence of time-invariant explanatory variables—alternative drivers of commercialization. This approach also accounts for variations across trusts which are assumed to be random and uncorrelated with the explanatory variables in the model. Although this approach can suffer from omitted variable bias, the estimation model is here theoretically justified as all the control variables commonly employed in similar studies are included and its explanatory power (goodness of it) is comfortably reassuring (see below).

Finally, in relation to H3, focusing on the performance consequences of MC advice, two sets of tests were conducted. The first test looked to establish whether overall levels of expenditure had any negative impact on performance. In addition, the relationship between commercialization practices (outsourcing and PFI) and hospital efficiency was investigated. Second, (two- and three-way) interaction tests were performed to explore the possible existence of a combined (and likely pejorative) effect of MC expenditure and the two proxies for commercialization practices on trust efficiency.

TABLE 1 Descriptive statistics

	No. obs.	Mean	Std. Dev.	Q1	Median	Q3
Operational efficiency	490	98.463	5.583	94.543	98.125	101.730
Adjusted cost efficiency[a]	486	391.490	110.934	35.350	373.731	881.800
Contracted-out services	495	35.556	28.492	12.820	27.000	52.000
PFI use[a]	479	3.771	6.017	0.000	0.000	5.995
PFI design[a]	479	0.590	1.267	0.000	0.000	0.394
Consultancy services[a]	491	1,202.717	1,093.458	410.000	844.000	1638.000
Teaching status	495	0.166	0.372	0.000	0.000	0.000
FT status	495	0.473	0.500	0.000	0.000	1.000
Size	488	734.259	310.388	490.713	686.790	932.323
Activity	478	21.867	3.655	19.463	22.385	24.583
Operational slack	487	0.137	0.048	0.100	0.140	0.170
Structural complexity	491	5.894	7.652	2.000	3.000	6.000
HHI	495	795.209	377.478	460.320	794.910	942.360
Market forces factor	494	1.016	0.070	0.960	1.000	1.060
London effect	495	0.147	0.355	n/a	n/a	n/a
Population served[a]	479	198.406	134.680	113.386	158.572	241.796

Note: [a] indicates that the figures are reported in £,000 s.

6 | RESULTS

Table 1 reports the descriptive statistics for the estimation sample over the period 2009/10 to 2012/13. On average, these organizations provided acute care using in excess of 700 beds and comprise around six units. Half of the organizations in the sample were FTs, while a more modest fraction (less than a fifth) were teaching hospitals.

The Pearson bivariate correlations between the variables of interest did not give reasons for concern, being the values well below the usual threshold level of 0.7/8 (not presented here but available on request). However, to further alleviate concerns of potential multicollinearity issues, Variance Inflation Factor (VIF) analysis was employed. Because all resulting VIF values were well within acceptable limits, no variables were excluded. Finally, to increase the robustness of the results, outliers and extreme values of some variables were eliminated (leading to the removal of 21 observations).

6.1 | The impact of management consulting on demand

The first set of regressions focused on investigating what was driving demand for MC services. As mentioned, expenditure on these services was regressed on the lag value (1 year) of consultancy services. Crucially, this analysis revealed that previous expenditure on management consultants was a statistically significant predictor for future demand (or expenditure) on MC services (see Table 2). Of all the control variables employed in the regression model, only size appeared to have a marked effect on expenditure, with larger trusts more likely to engage with MCs. Following Pemer et al. (2020), we also looked at whether Chief Executive Officer tenure had any effect on the use of MC services, but the results were not significant. As such, our analysis confirms H1 and the assumption that the use of MC services will be subject to demand inflation.

TABLE 2 Is demand for consulting advice inflated?

	Dependent variable Consultancy services			
	Model 1	Model 2	Model 3	Model 4
Consultancy services t-1	0.5884***		0.5234***	0.5222***
	(0.0684)		(0.0879)	(0.0879)
Contracted-out services t-1	0.0802			0.1238
	(1.6659)			(2.5247)
PFI use t-1		−1.8005		−3.2157
		(7.8539)		(13.9372)
PFI design t-1			−32.5336	−3.7338
			(34.2300)	(60.4731)
Teaching status	169.1456	105.5330	77.5385	95.0990
	(159.7289)	(197.7260)	(189.4255)	(196.7050)
FT status	15.5479	−20.5768	−9.7630	−13.4398
	(97.2384)	(110.5852)	(108.8386)	(110.6244)
Size	0.4552**	0.5133**	0.5405**	0.5399**
	(0.1801)	(0.2284)	(0.2369)	(0.2353)
Activity	−21.6186*	−17.3902	−18.8318	−18.4540
	(12.3711)	(14.2832)	(14.2312)	(14.4072)
Operational slack	−541.8862	−1,073.2637	−1,078.5049	−1,014.1291
	(854.5173)	(1,038.6912)	(1,034.5333)	(1,034.0359)
Structural complexity	−0.0844	3.0848	2.2179	2.7133
	(5.4801)	(6.3673)	(6.4115)	(6.6248)
HHI	−0.1615	−0.2580*	−0.2444*	−0.2581*
	(0.1237)	(0.1332)	(0.1331)	(0.1342)
Market forces factor	1,142.5266	1,855.5232*	1,923.1087*	1,987.3356*
	(927.4075)	(1,113.5043)	(1,138.7873)	(1,119.9919)
London effect	16.6809	−73.8522	−67.5673	−81.8985
	(159.8349)	(193.1353)	(194.8555)	(200.8282)
Population served	−0.0002	−0.0001	−0.0001	−0.0000
	(0.0003)	(0.0004)	(0.0004)	(0.0004)
Year dummies	Yes	Yes	Yes	Yes
Observations	408	320	321	318
R-squared	0.4821	0.4169	0.4169	0.4223
Wald-chi^2	286.89***	194.63***	195.76***	2013.82***

Note: $^{*}p < .10$; $^{**}p < .05$; $^{***}p < .01$. Standard errors clustered at the trust level are in parentheses. PCSEs estimations include first lags of the dependent variables (reported).

A further step in the analysis involved investigating whether higher expenditure on MC services (demand) was related to the adoption of commercialization practices (H2). As shown in Table 3, the findings revealed that Contracted-out services (model 1) and PFI design (model 3) were significantly and positively influenced by greater use of MCs. As expected, the analysis did not suggest a significant link between higher expenditure on these services

TABLE 3 Is higher expenditure on management consultants related to a greater use of commercialized management practices?

	Dependent Variable		
	Model 1 Contracted-out services	Model 2 PFI use	Model 3 PFI design
	Random effect	Tobit	
Consultancy services	0.0013 **	−0.0001	0.0001 *
	(0.0006)	(0.0003)	(0.0001)
Teaching status	11.0483	1.2554	−0.2334
	(6.7282)	(3.1388)	(0.6480)
FT status	−4.1818	−2.6321 **	−0.9034 ***
	(2.5992)	(1.3271)	(0.3185)
Size	0.0038	0.0029	0.0012 *
	(0.0065)	(0.0029)	(0.0006)
Activity	0.6135 **	−0.0975	−0.0886 ***
	(0.2746)	(0.1314)	(0.0308)
Operational slack	−24.0025	−16.3653 *	−1.8161
	(16.0081)	(8.5371)	(1.9908)
Structural complexity	0.1700 *	0.0011	−0.0303 **
	(0.0989)	(0.0509)	(0.0150)
HHI	0.0014	−0.0006	0.0000
	(0.0049)	(0.0021)	(0.0005)
Market forces factor	7.1172	4.7654	0.8025
	(59.4478)	(22.0540)	(5.0920)
London effect	27.4947 **	1.0038	0.2877
	(10.7614)	(4.3195)	(0.9531)
Population served	−0.0000	0.0000 *	0.0000
	(0.0000)	(0.0000)	(0.0000)
Year dummies	Yes	Yes	Yes
No. observations	442	431	404
Wald-chi^2/Adj-R^2	0.189	74.81 ***	108.84 ***
F-test	46.62 ***		
Hausman test	0.796		

Note: $^{*}p < .10$; $^{**}p < .05$; $^{***}p < .01$. Standard errors clustered at the trust level are in parentheses.

and a greater uptake of PFI contracts per se (as decisions on this issue are made centrally). Hence, overall, the results seem to indicate that the use of MCs is associated with a greater adoption of commercialization practices, lending support to H2.

6.2 | Impact on performance

As noted earlier, to investigate H3, two sets of tests were conducted. Using PCSEs, the first test looked at whether demand for MC services and the adoption of commercialization practices, in isolation, had any impact on the overall

TABLE 4 Do demand for consulting advice and the adoption of commercialized management practices affect organizational efficiency?

	Dependent variable					
	Operational efficiency			Adjusted cost efficiency		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Consultancy services	0.0008***			0.0124***		
	(0.0002)			(0.0038)		
Contracted-out services		0.0222*			0.1612	
		(0.0114)			(0.1534)	
PFI design			0.5392**			3.0009
			(0.2322)			(3.2613)
Teaching status	0.8873	0.9483	1.3467	77.9677***	75.7694***	84.5251***
	(0.9275)	(0.9749)	(0.9791)	(14.0262)	(14.3313)	(15.2692)
FT status	−1.5829**	−1.4921**	−1.3842**	−32.4419***	−28.8385***	−31.8780***
	(0.6398)	(0.6471)	(0.6575)	(8.8501)	(9.2357)	(9.1062)
Size	−0.0004	0.0002	0.0002	−0.0229	−0.0073	−0.0036
	(0.0010)	(0.0010)	(0.0010)	(0.0155)	(0.0139)	(0.0142)
Activity	−0.2259**	−0.2892***	−0.2549***	−5.2216***	−6.1159***	−5.8000***
	(0.0916)	(0.0944)	(0.0955)	(1.2051)	(1.2348)	(1.2649)
Operational slack	8.5055	8.0315	7.2821	−93.7464	−114.6958	−129.6412*
	(5.4872)	(5.5593)	(5.7388)	(73.6643)	(76.8005)	(77.1536)
Structural complexity	−0.0632**	−0.0771**	−0.0663**	0.4786	0.2896	0.3359
	(0.0313)	(0.0323)	(0.0318)	(0.4048)	(0.4094)	(0.4074)
HHI	0.0009	0.0008	0.0006	0.0009	−0.0008	−0.0002
	(0.0010)	(0.0010)	(0.0010)	(0.0125)	(0.0123)	(0.0120)
Market forces factor	−34.3882***	−32.5864***	−31.4875***	163.7861	201.8582	267.7922*
	(8.1036)	(8.1359)	(8.3120)	(133.5491)	(131.1137)	(137.7332)
London effect	3.2594**	2.6283*	2.9753**	44.6443**	35.4350	34.9774
	(1.3662)	(1.3617)	(1.4086)	(21.8313)	(22.4858)	(22.9176)
Population served	0.0000	0.0000	0.0000	−0.0000	0.0000	0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0001)	(0.0001)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	402	406	393	403	406	394
R-squared	0.9092	0.9173	0.9101	0.5397	0.5332	0.5365
Wald-chi^2	99.05***	87.48***	90.45***	460.54***	415.73***	417.04***

Note: $^{*}p < .10$; $^{**}p < .05$; $^{***}p < .01$. Standard errors clustered at the trust level are in parentheses. PCSEs estimations include first lags of the dependent variables (not reported).

efficiency levels of hospital trusts. The variable PFI use was discarded because the previous analysis did not (as predicted) reveal any significant relationship with consulting expenditure. First lags of the dependent variables to control for the effect of previous levels of trust efficiency were also included.

As shown in Table 4, all models found a significant and positive relationship between expenditure on MCs and lower efficiency levels (a positive coefficient indicates decreasing efficiency), using both the RCI (Operational

TABLE 5 Interaction analyses

	Dependent variable					
	Operational efficiency			Adjusted cost efficiency		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Consultancy services	0.0009***	0.0009***	0.0008***	0.0083***	0.0079***	0.0064**
	(0.0002)	(0.0002)	(0.0002)	(0.0031)	(0.0030)	(0.0029)
Contracted-out services	0.0165*		0.0128	0.3176***		0.2572*
	(0.0092)		(0.0125)	(0.1126)		(0.1367)
Consultancy services × Contracted-out services	0.0000* (0.0000)		0.0000** (0.0000)	0.0002* (0.0001)		−0.0001 (0.0001)
PFI design		0.4299***	0.3888		6.4976***	7.6897**
		(0.1593)	(0.3004)		(2.2116)	(3.1379)
Consultancy services × PFI design		0.0004*** (0.0001)	−0.0001 (0.0002)		0.0044* (0.0025)	0.0001 (0.0032)
Contracted-out services × PFI design			−0.0062 (0.0075)			−0.1556* (0.0836)
Consultancy services × Contracted-out services × PFI design			0.0000*** (0.0000)			0.0002* (0.0001)
Teaching status	0.1180	0.5554	0.4429	81.2646***	82.6613***	77.0417***
	(0.9015)	(0.8008)	(0.8922)	(11.8342)	(10.9401)	(11.5518)
FT status	−1.5712***	−1.7062***	−1.4757**	−19.1422**	−25.5115***	−25.8140***
	(0.5987)	(0.6093)	(0.5946)	(7.4482)	(7.2950)	(7.9540)
Activity	−0.3082***	−0.2669***	−0.2816***	−6.4084***	−6.3407***	−6.5676***
	(0.0837)	(0.0847)	(0.0859)	(1.0816)	(1.0462)	(1.0629)
Operational slack	6.0310	10.1273**	7.2259	−116.9101**	−99.4665*	−83.6667
	(4.6358)	(4.7130)	(4.5929)	(55.2650)	(52.9797)	(62.2321)
Structural complexity	−0.0491*	−0.0359	−0.0474	0.9528***	0.5715	0.4482
	(0.0298)	(0.0312)	(0.0293)	(0.3698)	(0.3622)	(0.3607)
Market forces factor	−32.1360***	−34.0288***	−33.3799***	32.6472	118.1179	226.4852
	(6.4673)	(6.3124)	(6.9460)	(124.9929)	(128.1037)	(138.3368)
London effect	1.9591*	2.5671**	2.1493**	71.0526***	76.5189***	53.7196***
	(1.0014)	(1.0403)	(1.0011)	(17.7231)	(19.5375)	(20.4890)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	397	385	385	392	387	391
R-squared	0.9957	0.9958	0.996	0.9413	0.9383	0.921

(Continues)

TABLE 5 (Continued)

	Dependent variable					
	Operational efficiency			Adjusted cost efficiency		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Wald-chi^2	162.97***	215.49***	295.29***	1081.40***	1161.04***	1033.83***

Note: $^{*}p < .10$; $^{**}p < .05$; $^{***}p < .01$. Standard errors clustered at the trust level are in parentheses. PCSEs estimations include first lags of the dependent variables (not reported). Size, HHI and Population served included in all models but results not presented as statistically insignificant.

efficiency) and the other measure of efficiency (Adjusted cost efficiency). By contrast, with regard to commercialization practices, the results were more ambiguous. While the analysis revealed a statistically significant and negative impact on one measure of efficiency (RCI), this was not the case for the alternative indicator (adjusted costs). In all estimations, the explanatory power of the regression models (the goodness of fit represented by the R^2 value) is particularly high: close to the maximum for models 1–3 where the dependent variable is the RCI. The R^2 value remained at a similar level when the lagged values were excluded from the regressions.

To investigate the direction of causality between the three predictors and overall (in)efficiency, two further tests were conducted. First, specifications of the regression models were run with the lag values for all three predictors (i.e., consulting services, outsourcing and PFI design at t_{-1}), obtaining qualitatively very similar results (not tabulated, for the sake of brevity). In addition, the study investigated whether less-efficient hospital trusts resorted to employing MC advice to improve their (relatively poor) financial performance by regressing the former on previous levels of efficiency (at t_{-1}). The results (again not formally reported but available on request) were not statistically significant.

Turning to the second set of tests, PCSEs were used to investigate the combined effect of expenditure on MC services and of commercialization practices (outsourcing and PFI design) on overall efficiency levels. The objective here was to see if the impact of these practices on efficiency became more negative when combined with higher levels of MC expenditure. Put differently, does it make a difference if hospital trusts use MC to implement these practices—the management consultancy effect?

In the interaction analyses, two and three sets of multiplicative variables were related with both dependent variables for organizational efficiency (Operational efficiency in models 1–3 and Adjusted cost efficiency in models 4–6). As can be seen in Table 5, the interaction terms, for both two-way and three-way interactions, had a significant and positive effect (negative in efficiency terms) in all the regression models, while the individual variable Consulting services also maintained a significant and positive effect. The explanatory power of the regression models remained extremely high ($R^2 \sim 1$), with, again, no appreciable change when the lagged variables were excluded.

Simple slope tests were also run, which confirmed the worsening effect on efficiency of increasing expenditure on MCs when the moderators (commercialization practices) moved from low to high values (Operational efficiency: simple slope t-value = 2.796, $p < .01$; Adjusted cost efficiency: simple slope t-value = 1.995, $p < .01$). Moreover, when plotted, the confidence intervals of the marginal effects of the interaction terms were all comfortably above the zero line and, hence, significant. In economic terms, this analysis reveals that at high levels of outsourcing and PFI design, every £550,000 spent on MCs appeared to increase, in negative terms, the RCI by 1 per cent and the adjusted expenditure by 2 per cent. In general, moving from low to high levels of MC expenditure seemed to worsen operational efficiency by 3.54 per cent and adjusted cost efficiency by 8 per cent.

Thus, these results appear to lend support to H3, suggesting that inflated demand for MC services (identified in H1 and H2) had a negative impact on overall (client) efficiency levels. The interaction tests were especially revealing, suggesting that while commercialization practices did, on their own, generate some inefficiency for hospital trusts, this pejorative effect was amplified when combined with higher levels of MC expenditure. Tellingly, it was the variable capturing demand for MC services that maintained statistical significance in all interaction models, suggesting that this was the main driver of increasing inefficiency. The main results did not change when employing the log

values of the main explanatory variables and when accounting for the effect of inflation on prices (2.7 per cent on average for the period investigated).

7 | DISCUSSION AND CONCLUSION

The main point of departure for this article was the observation that while accounts of the consulting process highlight risks associated with demand inflation, research has yet to chart their nature or extent. Focusing on the illustrative case of the English NHS, our analysis begins to address these concerns. Specifically, we find strong support for the three hypotheses regarding demand inflation and its likely negative effects. With regard to H1, the results show that, in general, high levels of prior MC use (in terms of expenditure) predict higher future use. This suggests a pattern of repeat or persistent external sourcing to MCs within buyer–supplier networks that leads to demand inflation. Consistent with this picture, a relationship was also found between previous high levels of MC use and the subsequent adoption of commercialization practices (H2).

Turning to H3, the analysis further suggests that processes of demand inflation have negative consequences for client performance in terms of efficiency. Consistent with earlier research (Kirkpatrick et al. 2019), we found that higher overall levels of expenditure (influenced by past patterns of use) are associated with lower efficiency in hospital trusts. Another indication of this tendency is related to the adoption of commercialization practices. Crucially, we found that the organizational inefficiency generated by higher levels of MC is amplified when it is linked to outsourcing and structuring of PFI contracts. In other words, it seems that the use of MCs to assist with the implementation of these initiatives is having a reinforcing, negative effect. This, in turn, might be partly attributed to the process of demand inflation noted above (H1) and to the hidden costs arising from this (such as additional transaction costs, risks associated with over-embeddedness and allocative inefficiency). Hence, the findings reported here represent an important contribution to debates about MC services in the public sector, for the first time charting quantitatively both the existence of demand inflation—what Ernst and Kieser (2002, p. 73) described as a 'vicious circle of addiction'—and its negative consequences.

These findings also have some wider implications for theory and policy. Regarding theory, our analysis contributes to debates about how to conceptualize the risks associated with MC in public services and beyond. As we have seen, many critical accounts, imbued with an 'anti-consulting attitude' (Armbrüster 2006), have tended to assume that MC services will be problematic, including under any conditions (Jung and Kieser 2012). This view is especially pronounced in public sector research, which notes significant risks of using commercially oriented MCs (Raudla 2013; Ylönen and Kuusela 2019) and a negative impact on efficiency (Kirkpatrick et al. 2019). However, our understanding of precisely why these risks and hidden costs emerge remains under-developed. In this regard, the analysis presented here represents a significant advance. While we are unable to rule out other explanations for consulting failure, such as limited competency or sector-specific knowledge (Ylönen and Kuusela 2019), the NHS case helps to pinpoint the key role of demand inflation arising from the consulting process. This is informed by complementary theoretical insights whereby inflation exposes clients to rising transaction costs, risks associated with over-embedded relationships and/or losses in terms of allocative inefficiency. Therefore, in addition to supporting the predictions of the critical literature on the likely (negative) impact of MC services, we advance this work by conceptualizing and validating one specific mechanism that appears to drive inefficiency: demand inflation.

Turning to policy, our findings both reinforce some of the existing concerns about the use of management consultants, while also helping to specify the problems more precisely and why they might arise. This, however, raises a number of additional questions about what policy-makers and public managers should do. In some respects, the findings run counter to the idea that more relational, collaborative forms of contracting are likely to be helpful (Bovaird 2006). Closer, trusting relationships, it has been argued, help to reduce search costs for new suppliers and may lead to what Nikolova and Devinney (2012) term a 'social learning' model of MC. In the NHS, for example, Wye et al. (2015) suggest that the contribution of management consultants to client organizations is

greatest when clients develop knowledge exchange strategies that facilitate deeper involvement and learning. Nevertheless, while our own analysis of the NHS case does not discount this possibility, it suggests that, overall, the economic risks associated with more collaborative relationships—inflating demand and costs—are likely to outweigh any gains.

This conclusion implies that public sector organizations should try instead to further strengthen their procurement capabilities and minimize risk by becoming more 'intelligent consumers' (Höner and Mohe 2009; Lonsdale et al. 2017). However, as noted, in the NHS and elsewhere, procurement regulations and systems are often circumvented (Pemer and Skjølsvik 2017; Ylönen and Kuusela 2019). They may also have unintended consequences such as standardizing services when greater customization is required (O'Mahoney et al. 2013) and reducing choice (Feeney and Bozeman 2009). For example, repeat business can become partly institutionalized through the use of Preferred Supplier Lists, whereby a selected number of 'trusted' firms are favoured in an effort to reduce transaction costs (Sieweke et al. 2012). To be sure, some intermediate, contingent or hybrid approaches to governance are possible, such as limiting the terms of engagement between particular parties (Mohe 2005) or acknowledging limitations on the measurability of consulting projects. But these adjustments are unlikely to radically solve the underlying problem of demand inflation identified by our analysis.

Consequently, other options for policy-makers include reforming consulting reward systems and ownership structures away from privileging income generation or 'sell on' and profit (Sturdy 2021) and, on the client side, strengthening internal management and advisory capabilities of public sector organizations and their relative credibility (Armbrüster 2006; Sturdy et al. 2015). This is not to ignore the challenges of developing internal forms of policy advice (Craft and Halligan 2017). Rather, it is to highlight the viability of these options given the high costs of persistent sourcing externally and practical difficulties of regulating it through procurement. Indeed, given the concentration of management consultancy use in public administration among a relatively small number of nations, the potential effectiveness of internal solutions can be reasonably assumed. In other words, many countries (and public sector organizations) already operate effectively without significant external consultancy use (Sturdy and O'Mahoney 2018).

When drawing these conclusions, it is important to recognize some caveats and directions for future research. While the analysis presented suggests a strong association between previous consulting expenditure and future demand and (negative) performance, this is not absolute proof of causality. Added to this are methodological difficulties associated with using expenditure as a proxy for the use of management consulting and the focus on client efficiency outcomes (as opposed to, say, improvements in service quality) (Nachum 1999). Related to this is the question of whether, in some contexts, the use of MC services may generate higher efficiency only up to a certain level (or tipping point), but then efficiency would decline from 'over-use'. Our analysis, based on a large population of cases (all acute trusts in England), found no evidence of such a curvilinear relationship, instead highlighting the progressive deterioration of client efficiency as the use of MC services rises. However, it is possible that in future a more nuanced analysis also using case study methods could identify more specific conditions under which the use of MC services adds to, rather than detracts from, client performance. This approach might also shed further light on the relationship between promotional practices of consultants and client uncertainty and anxiety—the psychodynamics of consulting.

Further work might also explore the impact of MCs on the adoption (and impact) of management practices other than those linked to commercialization and NPM. For example, would one see the same results in relation to the adoption of lean systems or advice on training and organizational development? Lastly, further work could focus on other parts of the public sector, beyond healthcare, and different national contexts. Studies that have been conducted in other European countries (Raudla 2013; Pemer and Skjølsvik 2017; Ylönen and Kuusela 2019) suggest very similar dynamics of demand inflation to those observed in the English case, although an understanding of how these are mediated by national-level institutions and policy advisory systems is clearly relevant (van den Berg et al. 2019). As such, more research in all these areas could help to extend and overcome some of the limitations of the current study. Nevertheless, this article has gone some way to advance our theoretical understanding of the consultancy effect in public sector organizations, and, for the first time, demonstrate it empirically.

ORCID

Gianluca Veronesi https://orcid.org/0000-0001-9956-863X

REFERENCES

Armbrüster, T. (2006). *The economics and sociology of management consulting*. Cambridge: Cambridge University Press.

Beck, N., & Katz, J. N. (1996). Nuisance vs. substance: Specifying and estimating time-series-cross-section models. *Political Analysis*, *6*(1), 1–36.

Bergh, D. D., & Gibbons, P. (2011). The stock market reaction to the hiring of management consultants: A signalling theory approach. *Journal of Management Studies*, *48*(3), 544–567.

Bessant, J., & Rush, H. (1995). Building bridges for innovation: The role of consultants in technology transfer. *Research Policy*, *24*(1), 97–114.

Beveridge, R. (2012). Consultants, depoliticization and arena-shifting in the policy process: Privatizing water in Berlin. *Policy Sciences*, *45*(1), 47–68.

Bloomfield, B. P., & Danieli, A. (1995). The role of management consultants in the development of information technology: The indissoluble nature of socio-political and technical skills. *Journal of Management Studies*, *32*(1), 23–46.

Bovaird, T. (2006). Developing new relationships with the 'market' in the procurement of public services. *Public Administration*, *84*(1), 81–102.

Canback, S. (1999). The logic of management consulting: Part 2. *Journal of Management Consulting*, *10*(3), 3–12.

Craft, J., & Halligan, J. (2017). Assessing 30 years of Westminster policy advisory system experience. *Policy Sciences*, *50*(1), 47–62.

Craig, D., & Brooks, C. (2006). *Plundering the public sector*. London: Constable.

DoH (2013). *NHS manual for accounts 2013–14*. London: www.gov.uk/dh.

Engwall, L., Kipping, M., & Üsdiken, B. (2016). *Defining management: Business schools, consultants, media*. London: Routledge.

Ernst, B., & Kieser, A. (2002). In search of explanations for the consulting explosion. In K. Sahlin-Andersson & L. Engwall (Eds.), *The expansion of management knowledge: Carriers, flows, and sources* (pp. 47–73). Stanford, CA: Stanford University Press.

FEACO (2018). *FEACO survey of the European management consultancy market 2018/19*. Brussels: FEACO.

Feeney, M. K., & Bozeman, B. (2009). Stakeholder red tape: Comparing perceptions of public managers and their private consultants. *Public Administration Review*, *69*(4), 710–726.

Financial Times (2017). The curse of the consultants is spreading fast. 10 May.

Fincham, R. (1999). The consultant–client relationship: Critical perspectives on the management of organizational change. *Journal of Management Studies*, *36*(3), 335–351.

Fink, D., & Knoblach, B. (2017). What's in the name of management consultancies? How celebrity and reputation shape intervention effectiveness. *Journal of Applied Business Research*, *33*(3), 587–604.

Glückler, J. (2007). Geography of reputation: The city as the locus of business opportunity. *Regional Studies*, *41*(7), 949–961.

Hodge, G., & Bowman, D. (2006). The 'consultocracy': The business of reforming government. In G. Hodge (Ed.), *Privatization and market development: Global movements in public policy ideas* (pp. 97–126). Cheltenham: Edward Elgar.

Höner, D., & Mohe, M. (2009). Behind clients' doors: What hinders client firms from 'professionally' dealing with consultancy? *Scandinavian Journal of Management*, *25*(3), 299–312.

Hood, C., & Dixon, R. (2015). *A government that worked better and cost less? Evaluating three decades of reform and change in UK central government*. Oxford: Oxford University Press.

Howlett, M., & Migone, A. (2013). Policy advice through the market: The role of external consultants in contemporary policy advisory systems. *Policy and Society*, *32*(3), 241–254.

ISMO (2013). Uncertainty and management consulting Special Issue. *International Studies of Management and Organization*, *43*.

Jackall, R. (1988). *Moral mazes: The world of corporate managers*. New York: Oxford University Press.

Jones, C. W. (2019). Adviser to the king: Experts, rationalization and legitimacy. *World Politcs*, *71*(1), 1–43.

Jung, N., & Kieser, A. (2012). Consultants in the management fashion arena. In M. Kipping & T. Clark (Eds.), *The Oxford handbook of management consulting* (pp. 327–346). New York: Oxford University Press.

Karantinou, K. M., & Hogg, M. K. (2001). Exploring relationship management in professional services: A study of management consultancy. *Journal of Marketing Management*, *17*(3), 263–286.

Kipping, M. (2002). Trapped in their wave: The evolution of management consultancies. In T. Clark & R. Fincham (Eds.), *Critical consulting: New perspectives on the management advice industry* (pp. 28–49). Oxford: Blackwell.

Kipping, M., & Saint-Martin, D. (2005). Between regulation, promotion and consumption: Government and management consultancy in Britain. *Business History*, *47*(3), 449–465.

Kirkpatrick, I., Lonsdale, C., & Neogy, I. (2016). Management consulting in health. In E. Ferlie, K. Montgomery, & A. Reff Pedersen (Eds.), *Oxford handbook of health care management* (pp. 517–538). Oxford: Oxford University Press.

Kirkpatrick, I., Sturdy, A. J., Alvarado, N. R., Blanco-Oliver, A., & Veronesi, G. (2019). The impact of management consultants on public service efficiency. *Policy & Politics*, *47*(1), 77–96.

Leys, C., & Player, S. (2011). *The plot against the NHS*. Balbriggan, Co. Dublin: Merlin Press.

Lonsdale, C., Hoque, K., Kirkpatrick, I., & Sanderson, J. (2017). Knowing the price of everything? Exploring the impact of increased procurement professional involvement on management consultancy purchasing. *Industrial Marketing Management*, *65*, 157–167.

Marini, G., Miraldo, M., Jacobs, R., & Goddard, M. (2008). Giving greater financial independence to hospitals—Does it make a difference? The case of English NHS trusts. *Health Economics*, *17*(6), 751–775.

Markham, C., & O'Mahoney, J. (2013). *Management consultancy* (2nd ed.). Oxford: Oxford University Press.

MCA (2019). *MCA annual industry report*. London: Management Consultancy Association.

McKenna, C. D. (2006). *The world's newest profession: Management consulting in the twentieth century*. Cambridge: Cambridge University Press.

Mohe, M. (2005). Generic strategies for managing consultants: Insights from clients' companies in Germany. *Journal of Change Management*, *5*(3), 357–365.

Moore, M. H. (2013). *Recognizing public value*. Cambridge, MA: Harvard University Press.

Nachum, L. (1999). Measurement of productivity of professional services: An illustration on Swedish management consulting firms. *International Journal of Operations & Production Management*, *19*(9), 922–950.

NAO/Audit Commission (2010). *A review of collaborative procurement across the public sector*. London: NAO Marketing & Communications Team.

Nikolova, N., & Devinney, T. (2012). The nature of client–consultant interaction: A critical review. In M. Kipping & T. Clark (Eds.), *The Oxford handbook of management consulting* (pp. 389–409). Oxford: Oxford University Press.

O'Mahoney, J., Heusinkveld, S., & Wright, C. (2013). Commodifying the commodifiers: The impact of procurement on management knowledge. *Journal of Management Studies*, *50*(2), 204–235.

O'Mahoney, J., & Sturdy, A. J. (2016). Power and the diffusion of management ideas: The case of McKinsey & Co. *Management Learning*, *47*(3), 247–265.

Pemer, F., Börjeson, L., & Werr, A. (2020). The role of chief executive tenure for public organizations' hiring of management consultants. *Governance*, *33*(2), 269–285.

Pemer, F., Sieweke, J., & Werr, A. (2018). The relationship between national culture and the use of professional services: Evidence from two cross-country studies. *Journal of Purchasing and Supply Management*, *24*(4), 314–325.

Pemer, F., & Skjølsvik, T. (2017). Adopt or adapt? Unpacking the role of institutional work processes in the implementation of new regulations. *Journal of Public Administration Research and Theory*, *28*(1), 138–154.

Pollock, A. M., & Price, D. (2013). *PFI and the National Health Service in England*. London: QMU.

Pollock, A. M., Price, D., & Liebe, M. (2011). Private finance initiatives during NHS austerity. *BMJ*, *342*, d324.

Raudla, R. (2013). Pitfalls of contracting for policy advice: Preparing performance budgeting reform in Estonia. *Governance*, *26*(4), 605–629.

Ruef, M. (2002). At the interstices of organizations: The expansion of the management consulting profession, 1933–97. In K. Sahlin-Andersson & L. Engwall (Eds.), *Carriers of management knowledge: Ideas and their global circulation* (pp. 74–98). Stanford, CA: Stanford University Press.

Saam, N. J. (2012). Economics approaches to management consulting. In M. Kipping & T. Clark (Eds.), *The Oxford handbook of management consulting* (pp. 207–224). Oxford: Oxford University Press.

Saint-Martin, D. (2012). Governments and management consultants: Supply, demand and effectiveness. In M. Kipping & T. Clark (Eds.), *The Oxford handbook of management consulting* (pp. 447–464). Oxford: Oxford University Press.

Saint-Martin, D. (2013). Making government more 'business-like': Management consultants as agents of isomorphism in modern political economies. In J. Mikler (Ed.), *The handbook of global companies* (pp. 173–192). Wiley online.

Schein, E. (2009). *Helping: How to offer, give, and receive help (in one-to-one, group and organizational relationships)*. San Francisco, CA: Koehler Publishers.

Sieweke, J., Birkner, S., & Mohe, M. (2012). Preferred supplier programs for consulting services: An exploratory study of German client companies. *Journal of Purchasing and Supply Management*, *18*(3), 123–136.

Sorge, A., & van Witteloostuijn, A. (2004). The (non)sense of organizational change: An essai about universal management hypes, sick consultancy metaphors, and healthy organization theories. *Organization Studies*, *25*(7), 1205–1231.

Sturdy, A. (1997). The consultancy process—An insecure business? *Journal of Management Studies*, *34*(3), 389–413.

Sturdy, A. J. (2018). Promoting solutions and co-constructing problems: Management consultancy and instrument constituencies. *Policy and Society*, *37*(1), 74–89.

Sturdy, A. J. (2021). The governance of management consultancy use: A review of practices, problems and possibilities. In C. Hurl & A. Vogelpohl (Eds.), *Public policy, private expertise—Professional service firms and politics in global era*. London: Palgrave Macmillan.

Sturdy, A. J., Handley, K., Clark, T., & Fincham, R. (2009). *Management consultancy: Boundaries and knowledge in action*. Oxford: Oxford University Press.

Sturdy, A., & O'Mahoney, J. (2018). Explaining national variation in the use of management consulting knowledge: A framework. *Management Learning*, *49*(5), 537–558.

Sturdy, A. J., Wylie, N., & Wright, C. (2013). Management consultancy and organizational uncertainty: The case of internal consultancy. *International Studies of Management & Organization*, *43*(3), 58–73.

Sturdy, A. J., Wylie, N., & Wright, C. (2015). *Management as consultancy: Neo-bureaucracy and the consultant manager*. Cambridge: Cambridge University Press.

Taminiau, Y., Ferguson, J., & Moser, C. (2016). Instrumental client relationship development among top-ranking service professionals. *Service Industries Journal*, *36*(15–16), 789–808.

Uzzi, B. (1997). Social structure and competition in interfirm networks: The paradox of embeddedness. *Administrative Science Quarterly*, *42*(1), 35–67.

van den Berg, C., Howlett, M., Migone, A., Howard, M., Pemer, F., & Gunter, H. M. (2019). *Policy consultancy in comparative perspective: Patterns, nuances and implications of the contractor state*. Cambridge: Cambridge University Press.

Veronesi, G., Kirkpatrick, I., & Altanlar, A. (2015). Clinical leadership and the changing governance of public hospitals: Implications for patient experience. *Public Administration*, *93*(4), 1031–1048.

Villena, V. H., Revilla, E., & Choi, T. Y. (2011). The dark side of buyer–supplier relationships: A social capital perspective. *Journal of Operations Management*, *29*(6), 561–576.

Weiss, A. E. (2019). *Management consultancy and the British state*. Basingstoke: Palgrave Macmillan.

Wye, L., Brangan, E., Cameron, A., Gabbay, J., Klein, J. H., Anthwal, R., & Pope, C. (2015). What do external consultants from private and not-for-profit companies offer healthcare commissioners? A qualitative study of knowledge exchange. *BMJ Open*, *5*, 1–9.

Ylönen, M., & Kuusela, H. (2019). Consultocracy and its discontents: A critical typology and a call for a research agenda. *Governance*, *32*(2), 241–258.

How to cite this article: Sturdy AJ, Kirkpatrick I, Reguera N, Blanco-Oliver A, Veronesi G. The management consultancy effect: Demand inflation and its consequences in the sourcing of external knowledge. *Public Admin*. 2020;1–19. https://doi.org/10.1111/padm.12712